

September 26, 2001

VIA FAX AND U.S. MAIL

Carole Washburn, Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, Washington 98504-7250

Re: PSE Advice No. 2001-36, Time of Day Rate Extension

Dear Ms. Washburn:

Public Counsel submits this written comment regarding Puget Sound Energy's (PSE) Time of Day (TOD) rate proposal to extend the existing TOD pilot program for residential customers for eight months and to expand the program to commercial customers for a year.

We do not object to the Commission's approval of PSE's filing, if the Commission adopts the following conditions for approval:

- PSE should make participation in TOD rates truly the customers' choice by requiring an affirmative opt-in mechanism for all eligible customers.
- PSE should link its energy efficiency efforts to the TOD program, and improve those programs to capture more of the available cost-effective conservation.
- The Commission should expressly reserve judgement as to the prudence of any cost associated with the development and implementation of the program.

PSE should make participation in TOD rates truly the customers' choice

The Commission approved the current TOD pilot only upon a final modification to PSE's original proposal that allowed customers to opt-out of paying TOD rates. Customers were to have been informed of this opportunity. PSE heralds the low level of opt-outs, but does not mention that it provided only one notice to customers of their ability to do so. Further, customers were told the program was a pilot of limited duration. PSE seeks now to extend and expand the pilot, but proposes to continue to automatically 'slam' customers by putting them on TOD rates without providing an opportunity for the customer to affirmatively choose.

In support of this filing, PSE presents a customer survey suggesting a high level of satisfaction with the program. Given this apparent result, providing customers with the opportunity to select either TOD or flat rates should present no concern to the company – satisfied customers will select the TOD program.

The company has had ample opportunity to educate these customers, and has already learned that providing a negative opt-out opportunity, without effective notice to customers as to that option, results in high levels of TOD participation. PSE's failure to inform customers in a manner reasonably intended to actually educate them forces us to conclude that continuing the negative option is completely unacceptable. Only by providing an unbiased affirmative choice will the company, the Commission and other stakeholders be able to evaluate the actual level of customer acceptance of this rate design. The company could provide each eligible customer with a choice of rates in its next billing cycle, providing a simple box to check.

Commercial customers, who were exempted from the original pilot, should be afforded the same opportunity to choose between flat and TOD rates at the onset of this pilot.

PSE should link its energy efficiency efforts to the TOD program, and improve those programs to capture more of the cost-effective conservation available

PSE continues to argue this program is an energy efficiency program, but has made no effort during the pilot program period to effectively link this program to its other DSM programs or to improve upon those programs. Accessing the TOD program through PSE's website, a residential customer finds no mention of PSE's energy efficiency efforts. Attached are the PSE home page, the link to the PEM page, and the subsequent link to energy efficiency tips. At no point is the customer informed that PSE attempts to assist them reduce their consumption through its own programs.

Also attached are the frequently asked questions from PSE's website. While there is a question about *not* saving energy, there is no question on how to save energy or use it more efficiently.

Alone among Washington's large electric utilities, PSE has made no incremental investment in its energy efficiency programs during the period of the TOD pilot or the ongoing crisis in the western power markets. Avista significantly increased its DSM program efforts, particularly to residential customers. PacifiCorp rolled out a new set of low-income, commercial, and industrial DSM programs. Seattle City Light doubled its DSM goals. PSE singularly failed to increase its efforts to assist customers in saving energy, and continued its troubling recent pattern of failing to meet the spending targets it established for itself three years ago (August 15, 2001 Semi-Annual Report). While savings were incrementally higher than expected from those old goals, this achievement was unrelated to any increased efforts made by the utility to respond to the circumstances.

This Commission has encouraged its jurisdictional utilities to employ a variety of tools to respond to the ongoing power supply situation. It should direct PSE to diversify its efforts away from a single-minded focus on load shifting to other effective demand-side management programs, and to better link the TOD rates to efforts designed to provide consumers with tools to actually improve the efficiency of their energy consumption.

The Commission should expressly reserve judgement as to the prudence of any cost associated with the development and implementation of the program.

Finally, we remain concerned that this effort continues to fail to address the core issues in the current western power market, and is disproportionately designed to benefit PSE rather than its customers. Our primary concerns from April remain:

- This program does not provide energy savings so important to the western market, indeed, PSE's own evaluation appears to show that average consumption for participants increased during July. The program evaluation suggests very modest peak capacity savings, but does not relate them to cost savings for the utility or capacity requirements within the western market.
- The difference in peak and off-peak wholesale prices, which Public Counsel disputed as unsupported as a component of PSE's own cost structure, has collapsed, eliminating all but the slimmest justification for a load-shifting effort.
- In its memo on this filing, Staff has raised legitimate cost-effectiveness concerns. In our view, PSE remains at risk to demonstrate the reasonableness of its expenditures for this effort in any subsequent attempt to recover any costs.
- The evaluation is of extremely limited value given its lack of a control group and the lack of input from Commission Staff and stakeholders as to evaluation design.
- The disconnection in time of the residential TOD program, the new commercial TOD program, and the conservation incentive credit raises serious concerns about the purported linkage between these efforts and the sharing of program benefits that linkage was intended to provide.

Should the Commission choose to allow the current PSE filing to take effect, we recommend it expressly reserve judgement as to the prudence of costs associated with the program, and further suggest it take steps to ensure the above questions are addressed before any subsequent filing is considered.

Thank you for your consideration of these comments.

Sincerely,

Matt Steuerwalt